

APPENDIX I:

**LETTER TO CHAIR ELIZABETH WARREN
FROM ASSISTANT SECRETARY HERB ALLISON
RE: GM LOAN REPAYMENT,
DATED MAY 18, 2010**



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

May 18, 2010

Professor Elizabeth Warren
Chair, Congressional Oversight Panel
732 North Capitol Street, NW
Room C-320 and C-617
Mailstop: COP
Washington, DC 20401

Dear Chair Warren:

On behalf of Secretary Geithner, I am writing to respond to your recent letter regarding General Motors' April 20 repayment of \$4.7 billion of TARP debt. GM made the repayment with cash from an escrow account that it owns. As you may know, I have described GM's loan repayment and the nature of the escrow account in two recent, detailed letters to Members of Congress. I have enclosed copies of the two letters for your convenience.

Treasury approved GM's loan repayment because it was consistent with the core principles that the Obama Administration announced publicly on May 31, 2009 and that guide Treasury's management of its ownership interests in private corporations—specifically, recovering funds for the American taxpayer and exiting TARP investments as soon as practicable. Treasury has never suggested that GM's loan repayment represents a return of *all* government assistance. In fact, the opposite is true. Treasury issued a press release on the day of the loan repayment that specifically states: "After this repayment, the remaining Treasury stake in GM consists of \$2.1 billion in preferred stock and 60.8 percent of the common equity."

Treasury's full and accurate description of the loan repayment is consistent with its practice of communicating openly with the American people. Treasury has disclosed the details of its assistance to GM in numerous public reports and filings; its officials have testified repeatedly before Congress about the restructuring; and it has posted a huge volume of information and data on its TARP website (available at www.financialstability.gov). This Administration strongly supports transparency, and Treasury has disclosed publicly all of its efforts to assist GM, including the nature of GM's recent loan repayment.

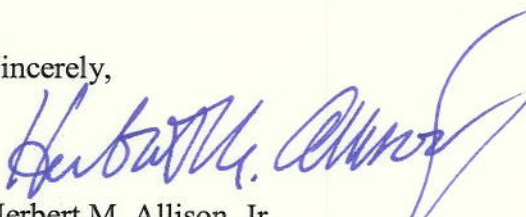
As a general matter, Treasury does not intervene in the day-to-day management of GM or any other company in which it holds equity. The Obama Administration's core principles cited above provide that the government will act in a "hands-off, commercial manner." Further, Secretary Geithner previously wrote to you that Treasury is a "reluctant shareholder," and that "taxpayer interests will be best protected by minimizing the extent of government involvement."

Although GM does provide information to Treasury on a variety of matters, Treasury does not express a view in the overwhelming majority of circumstances. In this case, GM provided Treasury staff members with certain materials prior to the loan repayment, including a description of GM's planned public relations campaign. Given its "hands-off" approach, Treasury did not ask GM to make any changes to the materials. Again, Treasury's own public statements and reporting on www.financialstability.gov provided full information about the loan repayment and the government's remaining investment in GM.

Finally, you cited Secretary Geithner's recent testimony before the Senate Subcommittee on Financial Services and General Government. As the Secretary testified, he has not seen GM's television advertisement or any of the related materials provided by GM. Nonetheless, he noted that various Treasury officials have expressed some concern about GM's public statements. The reason is simple. Although GM's public statements were accurate—the company did fully repay its existing "government loan"—it would have been more informative to note the government's continuing equity interest in GM, as Treasury did in its press release.

Thank you for your letter. We appreciate your attention to these important matters.

Sincerely,

A handwritten signature in blue ink, appearing to read "Herb Allison, Jr.", with a stylized flourish extending from the end.

Herbert M. Allison, Jr.
Assistant Secretary for Financial Stability

Enclosures

APPENDIX II:
LETTER TO SENATOR CHARLES GRASSLEY
FROM SECRETARY TIMOTHY GEITHNER
RE: GM LOAN REPAYMENT,
DATED APRIL 27, 2010



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

April 27, 2010

The Honorable Charles E. Grassley
United States Senate
Washington, DC 20510

Dear Senator Grassley:

Thank you for your letter dated April 22, 2010 to the Secretary regarding General Motors' (GM) repayment of its loan from the Department of the Treasury. He asked me to respond on his behalf.

Your letter states that the repayment of the loan was made with funds from "an escrow account at Treasury" and that it constituted a "debt-for-equity" swap. These statements are not accurate.

On April 20, GM repaid the Treasury loan with cash in an escrow account that it owns. The escrow account was created last summer in connection with the restructuring of GM. The money used to fund the escrow account came from a portion of the proceeds of a loan made by both the Treasury and the Canadian government. The escrowed funds were expected to be used for extraordinary expenses, and a portion of the funds were so used. Treasury retained approval rights over GM's use of funds from the escrow account in order to protect the taxpayer, but the cash was still the property of GM.

In making its April 20 loan repayment, GM determined that it did not need to retain the escrowed funds for expenses. The fact that GM made that determination and repaid the remaining \$4.7 billion to the U.S. government now is good news for the company, our investment, and the American people. Consistent with Treasury's goal of recovering funds for the taxpayer and exiting TARP investments as soon as practicable, we approved GM's loan repayment.

It has long been public knowledge that GM would use these specific funds to repay the Treasury and Canadian loans, if it did not otherwise need them for expenses. Under GM's loan agreement with Treasury, any funds in the escrow account on June 30, 2010 had to be used to repay the Treasury and Canadian loans. We have highlighted the repayment requirement in our monthly Section 105(a) reports to Congress. During a meeting last fall, we also informed the staff of the Special Inspector General of TARP (SIGTARP), Neil Barofsky, that we expected GM to use these funds to repay these loans. In fact, according to the SIGTARP Report on the Use of Funds (released on December 10, 2009), "GM officials stated that it intends to seek release of additional escrow funds to repay its outstanding \$6.7 billion loan to Treasury and \$1.3 billion loan to the Canadian Government."

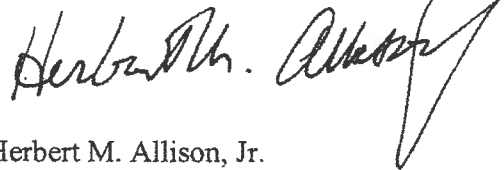
After the full repayment of the Treasury loan, approximately \$6.6 billion remained in GM's escrow account. These funds became unrestricted on April 20 and available for GM's general use.

In addition, it is not correct that the timing of the repayment was motivated by concurrent Senate hearings. In fact, GM's Board of Directors approved the loan repayment at its monthly meeting on April 13, 2010.

As is widely known, Treasury continues to hold \$2.1 billion in preferred stock and 60.8% of the GM's common equity that it received in the restructuring in July 2009. Treasury will begin selling equity once GM makes an initial public offering.

Thank you again for your attention to this important matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Herb Allison, Jr.", with a large, stylized flourish extending from the end of the signature.

Herbert M. Allison, Jr.
Assistant Secretary for Financial Stability

APPENDIX III:
LETTER TO REPRESENTATIVES PAUL RYAN,
JEB HENSARLING, AND SCOTT GARRETT
FROM SECRETARY TIMOTHY GEITHNER
RE: GM LOAN REPAYMENT,
DATED APRIL 30, 2010



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

ASSISTANT SECRETARY

April 30, 2010

The Honorable Paul Ryan
U.S. House of Representatives
Washington, DC 20515

The Honorable Jeb Hensarling
U.S. House of Representatives
Washington, DC 20515

The Honorable Scott Garrett
United States House of Representatives
Washington, DC 20515

Dear Representatives Ryan, Hensarling, and Garrett:

Thank you for your letter dated April 28, 2010, to Secretary Geithner regarding General Motors' (GM) repayment of its loan from the Department of the Treasury. He asked me to respond on his behalf.

As you may know, I responded to similar questions about GM's loan payment in a letter to Senator Grassley dated April 28. GM repaid the balance of its \$6.7 billion loan with cash from an escrow account that it owns. As we have widely reported, after this repayment, the Treasury's stake in GM consists of \$2.1 billion of preferred stock and 60.8% of GM's common equity.

GM's escrow account was created last summer in connection with its restructuring. The money used to fund the escrow account came from a portion of the proceeds of a loan made by both the Treasury and the Canadian government during the bankruptcy.

The escrowed funds were expected to be used for extraordinary expenses, and a portion of the funds were so used. In making its April 20 loan repayment, GM determined that it did not need to retain the escrowed funds for those expenses. The fact that GM made that determination and repaid the remaining \$4.7 billion to the U.S. government now is good news for the company, our investment, and the American people.

These specific details of Treasury's assistance to GM have been disclosed in at least ten different public documents beginning in July 2009; Treasury officials have testified before Congress about the restructuring numerous times; and there have been countless press reports about the issue. More specifically, Treasury has highlighted the repayment requirement in monthly reports to Congress, which are publically available on Treasury's website.

During a meeting last fall, we also informed the staff of the Special Inspector General of TARP (SIGTARP), Neil Barofsky, that we expected GM to use these funds to repay these loans. In fact, according to the SIGTARP Report on the Use of Funds (released on December 10, 2009), "GM officials stated that it intends to seek release of additional escrow funds to repay its outstanding \$6.7 billion loan to Treasury and \$1.3 billion loan to the Canadian Government."

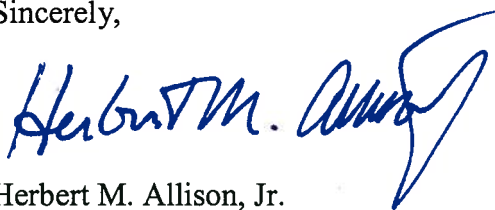
Treasury has never suggested that the loan repayment represented a full return of all government assistance. In fact, the press release announcing the loan repayment, which is attached to this letter, ends with the following sentence: "After this repayment, the remaining Treasury stake in GM consists of \$2.1 billion in preferred stock and 60.8 percent of the common equity." This Administration strongly supports transparency, and Treasury has fully and accurately disclosed its efforts to assist GM, including the nature of GM's recent loan repayment.

Your letter also asks about the value of Treasury's remaining investment in GM. No official market valuation exists, given that GM's preferred and common stock are not publicly held or traded yet. However, Treasury's audited financial statements provided a value by program as of September 30, 2009. In this case, the GM investment was grouped with the GMAC and Chrysler investments. The estimated value of all these investments was \$42.3 billion, which represents a loss of \$31.5 billion. This was updated to a loss of \$28 billion in an April 2010 letter to Congressional leaders (publicly available on www.financialstability.gov). Treasury will publish in May an update to the valuation of Treasury's auto investments, which will take into account the repayment. Treasury will begin selling its equity interest once GM makes an initial public offering.

Finally, your letter states that "there is little publically-available information on the current financial health of GM." This is not accurate. Despite being a private company, GM voluntarily files periodic, publically-available reports with the Securities and Exchange Commission.

Thank you again for your attention to this important matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Herbert M. Allison, Jr.", with a stylized flourish at the end.

Herbert M. Allison, Jr.
Assistant Secretary for Financial Stability

Enclosures



U.S. TREASURY DEPARTMENT OFFICE OF PUBLIC AFFAIRS

FOR IMMEDIATE RELEASE: April 21, 2010
CONTACT: Treasury Public Affairs (202) 622-2960

GM REPAYS TREASURY LOAN IN FULL, TARP REPAYMENTS REACH \$186 BILLION

GM Repayment of Remaining \$4.7 Billion in Debt Comes Five Years Ahead of Maturity Date

WASHINGTON – The U.S. Department of the Treasury today announced that General Motors (GM) has fully repaid its debt under the Troubled Asset Relief Program (TARP). GM paid the remaining \$4.7 billion of the total \$6.7 billion in debt owed to Treasury. The repayment comes five years ahead of the loan maturity date and ahead of the accelerated repayment schedule the company announced last year.

Total TARP repayments now stand at \$186 billion – well ahead of last fall's repayment projections for 2010. With this repayment, less than \$200 billion in TARP disbursements remain outstanding.

“We are encouraged that GM has repaid its debt well ahead of schedule and confident that the company is on a strong path to viability,” said Treasury Secretary Tim Geithner. “This continued progress is a positive sign for our auto investment – not only more funds recovered for the taxpayer but also countless jobs saved and the successful stabilization of a vital industry for our country.”

After this repayment, the remaining Treasury stake in GM consists of \$2.1 billion in preferred stock and 60.8 percent of the common equity.

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